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Programme budget for the biennium 2014-2015

Revised estimates relating to the programme budget for the biennium 2014-2015 under section 22, Economic and Social Commission for Western Asia, and section 33, Construction, alteration, improvement and major maintenance

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on mitigation measures to strengthen the safety and security of United Nations staff at the Economic and Social Commission for Western Asia (ESCWA), in Beirut (A/68/748). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 18 March 2014.

2. Under the authority vested in him by the General Assembly in resolution 66/249, paragraph 1 (c), relating to unforeseen and extraordinary expenses for security measures, in 2013 the Secretary-General initiated a comprehensive blast assessment of the United Nations House in Beirut, which was undertaken by a specialist firm. The results of that assessment, released on 17 January 2014, form the basis for the proposals contained in the Secretary-General's report (see paras. 10-11 below).

II. Background

3. The Advisory Committee recalls that the Economic and Social Council, by its resolution 1994/43, decided that the permanent headquarters of ESCWA should be relocated to Beirut from Amman. On 27 August 1997, the United Nations and the Government of Lebanon concluded an agreement concerning the headquarters of ESCWA, by which the Government of Lebanon granted premises in Beirut to the

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United Nations on a permanent basis to serve as the headquarters of ESCWA, United Nations funds and programmes and specialized agencies.

4. In paragraph 1 of his report, the Secretary-General indicates that ESCWA has been relocated five times during its 40-year history, starting with the relocation in 1976 from Beirut to Amman, following the outbreak of civil war in Lebanon. Upon enquiry, the Advisory Committee was provided with information on the cost implications of the relocations showing, for example, that the cost of the relocation from Amman to Beirut in 1997, which amounted to $14.9 million at the time, would be equal to approximately $45 million at today's prices.

5. In paragraph 5 of his report, the Secretary-General indicates that, since 2005, the security situation in Lebanon and the region has progressively deteriorated. Upon enquiry, the Advisory Committee was provided with a list of security mitigation measures taken since 2003 to improve the physical security of the building. The measures included: the installation of shatter-resistant film on all the external and internal glass panels of the building; the placement of T-wall and Jersey-type concrete barriers around the building; the installation of heavy-duty metal gates at all the entry and exit points of the building; the installation of anti-ramming, heavy-duty security bars on the ground floor; the implementation of perimeter access control technology, including a closed-circuit television system; the closure of public roads to the west, east and south of the building from 7.30 a.m. to 5 p.m. during working days; the deployment of hostile surveillance and reconnaissance detection capacity; and the establishment of a K-9 unit.

6. The Advisory Committee was also informed that the expenditure in relation to the security mitigation measures during the period from 2004 to 2013 amounted to over $4 million. Upon further enquiry, the Committee was informed that, while every effort had been made by the Government to close all the streets around the ESCWA building, some streets could not be closed permanently because of the geographical location of the building. The Committee was also informed that feasible security measures had been put in place by the host Government, culminating in the closure of three out of four adjacent streets during working hours.

7. Notwithstanding the extensive security measures that have been taken to improve the physical security of the building, the Secretary-General indicates that both the United Nations and the Government of Lebanon consider that there is a need to move ESCWA headquarters to another location in the vicinity of Beirut, away from its present location in the city centre, which is adjacent to busy public roads. In that regard, the Advisory Committee was informed, upon enquiry, that alternative premises within Beirut with sufficient office space to accommodate ESCWA staff while meeting United Nations security standards had so far not been identified. The Committee was also informed that two temporary relocation sites had been considered but were found to be unsuitable by both the Government of Lebanon and ESCWA. In paragraph 6 of his report, the Secretary-General indicates that, in May 2009, the Government allocated land north of Beirut that met United Nations security requirements for the purpose of constructing new premises. He also indicates, however, that, owing to several factors, the Government has still not been able to make available the resources necessary to construct a new building to house ESCWA and other organizations.

8. With regard to progress in consultations with the Government on this matter, the Advisory Committee was informed that it would take up to six months to reach

an agreement on the construction and no less than three years to build new premises. This means that, in the interim, further measures are required to reduce the existing security risk to which United Nations staff are exposed. As for the possibility of the United Nations paying for the construction of the new premises, the Committee was informed that the Secretary-General had neither considered the option nor submitted such a proposal to the Member States. The Committee was also informed that the estimated cost of constructing such a building would be at least $160 million.

9. **The Advisory Committee recommends that the General Assembly encourage the Secretary-General to intensify his engagement with the host country in order to find a lasting solution to the issue of a new permanent location for ESCWA headquarters.**

III. Blast assessment and findings

10. In paragraphs 11 to 16 of his report, the Secretary-General sets out the security concerns highlighted by the Department of Safety and Security during its security assessment, in particular the vulnerability of the ESCWA compound, owing to its architectural design and geographical location, to an improvised explosive device or a vehicle-borne improvised explosive device. The Secretary-General indicates that, after the security assessment, a blast assessment was undertaken by a professional blast engineering company under the supervision of the Office of Central Support Services. Upon enquiry, the Advisory Committee was informed that the blast engineering company had been selected in accordance with United Nations Financial Regulations and Rules, specifically rule 105.16 (a) (vii), which relates to exceptions to the use of formal methods of solicitation in case of an exigency.

11. The Secretary-General indicates that the findings of the blast assessment, which comprised a window vulnerability analysis, a blast component analysis and a progressive collapse analysis, were released on 17 January 2014 and identified a number of structural remediation works that would significantly mitigate the security risk to which staff were exposed. He cautions, however, that while implementation of those measures could be expected to substantially mitigate current risks and decrease the exposure of ESCWA to the risk of a vehicle-borne improvised explosive device, they have to be seen as an interim measure, since any future increase in risk to ESCWA at its current location cannot be fully mitigated.

12. The Secretary-General indicates that, phase 1, which was the blast assessment, will be followed by phase 2 of the project, entailing detailed design work, and phase 3, entailing construction work. He also indicates that the construction work will consist of the following activities: (a) the replacement of the existing shatter-resistant film on the glass facades, which is more than 10 years old; (b) the reinforcement of the facades by installing cable catch systems, consisting of cables anchored to concrete ceilings and floors above and below the facades; and (c) the application of fibre-reinforced polymer strips to the concrete ceiling and floor slabs to improve uplift capacity for the portion of the building that is susceptible owing to the exposure of the structural support columns. Upon enquiry, the Advisory Committee was informed that should the United Nations vacate the building, the Organization would surrender it to the Government in as good a condition as when it was occupied, allowing for reasonable wear and tear. The Committee was further informed that, based on the understanding of the Secretariat, the United Nations

would not be required to restore the building to its state prior to any alterations or changes that may have been executed by the United Nations or the Government.

13. Should the General Assembly approve the project and in line with the timeline as at 3 February 2014 (see A/68/748, para. 23), the project will be completed in a period of 18 months ending in October 2015. In the report of the Secretary-General it is indicated that the project owner would be the Executive Secretary of ESCWA. In line with practices and procedures established for all construction projects at offices away from Headquarters, it is indicated that the ESCWA project team would be supported by the Office of Central Support Services, Department of Management, which would provide technical guidance and advice, including by sharing lessons learned from similar capital projects undertaken by the Organization and senior-level coordination. **The Advisory Committee recommends that the General Assembly request the Secretary-General to make every effort to shorten the project timeline without compromising the quality of the construction work and the safety of staff.**

IV. Resource requirements

14. The resource requirements for the Secretary-General's proposals for the biennium 2014-2015 amount to $7,306,900 (net of staff assessment) of non-recurrent costs and are summarized by expenditure component and budget section in tables 1 and 2 of his report. They include $380,100 under general temporary assistance for the establishment of two general temporary assistance positions (1 P-4 and 1 Local level); $15,000 under travel of staff for two trips between ESCWA and Headquarters in New York; $4,000 under general operating expenses to cover a one-time provision for office equipment ($3,000) and communication ($1,000) for two staff members on the project team; and $6,907,800 under alteration and improvement to provide for the replacement of shatter-resistant film ($1,258,000), the installation of a cable catch system and geotextile stone retrofit ($4,760,400) and a structural slab retrofit ($536,400), as well as design fees ($353,000) for the security retrofitting work.

Staffing

15. The Advisory Committee notes that the Secretary-General's proposals include the establishment of two temporary positions: one project manager at the P-4 level to be supported by one staff member at the Local level to provide overall administrative assistance. The Secretary-General justifies the requirement by indicating that ESCWA does not have the in-house capacity to oversee the management of the proposed construction activities on a day-to-day basis. Upon request, the Committee was provided with information showing that ESCWA has a total of 358 established posts authorized under the programme budget for 2014-2015, comprising 260 posts under section 22, Economic and Social Commission for Western Asia, and 98 posts under section 34, Department of Safety and Security. Furthermore, of the posts authorized under section 22, 119 are in the Professional and higher categories, 1 is in the Field Service category, 3 are National Officer posts and 137 are General Service (Local level) posts.

16. **The Advisory Committee recommends the establishment of one position of project manager (P-4) to be funded under general temporary assistance. Taking**

into consideration the number of established General Service (Local level) posts authorized for the 2014-2015 biennium, however, the Committee is of the view that sufficient capacity already exists at the current staffing level to provide the necessary support to the proposed project manager. Therefore, the Committee recommends against the proposed establishment of one temporary Local level position and a corresponding adjustment to the related operational requirements.

Overhead and contingency provisions

17. Upon request, the Advisory Committee was provided with information showing that the estimate of $6,907,800 for construction included provisions for general conditions, profit and overhead (30 per cent), design contingency (20 per cent) and construction contingency (15 per cent) (see annex I). In addition, the information showed that a 20 per cent contingency provision had been included in the estimates for design fees (see annex II).

Overhead

18. The Advisory Committee was informed, upon enquiry, that the 30 per cent provision for general conditions, profit and overhead that had been applied to the estimates for the replacement of shatter-resistant film, the installation of a cable catch system and a structural slab retrofit was intended to cover a range of costs that the contractor was likely to incur during the project, including mobilization, administration, supervision, construction equipment, permits, taxes and the contractor's target profit percentage. No further details of these anticipated costs were provided to the Committee. **The Advisory Committee is of the view that the provision for overhead costs should be based on a clear and systematic determination, in the absence of which the Committee recommends that a lower provision of 20 per cent for general conditions, profit and overhead be applied.**

Contingency

19. As indicated in paragraph 17 above, the information provided indicates that provisions of 20 per cent and 15 per cent for design and construction contingencies have been included in the estimates for the replacement of shatter-resistant film, the installation of a cable catch system and a structural slab retrofit. Furthermore, the information provided to the Committee indicates that a provision of 20 per cent for contingency has been factored into the estimates for the design fees.

20. The Advisory Committee was informed that the project cost was based on the conceptual design and that the 20 per cent provision for design contingency was intended to cover potential increases in the project cost that would be determined after the detailed design work had been completed. The Committee was informed that the 15 per cent construction contingency was intended to cover unforeseen issues arising after the awarding of the project, which would entail changes in the cost of executing the defined scope of work. The Committee was also informed that the level of contingency had been determined by an analysis of the specific site and project conditions made by the blast engineer (see paras. 10-11 above). The Committee was further informed that the contingency provisions applied to recent capital projects undertaken by the Organization had ranged from 10 to 20 per cent based on the time or stage of the project at which the contingency provision had been established and the specific circumstances of the project.

21. The Advisory Committee notes that there was no mention of contingency in the resource requirements proposed by the Secretary-General in his report. It was only upon request for additional information that it became apparent to the Committee that substantial contingency provisions had been factored into the estimates. **The Committee regrets the omission of such significant information in the presentation of the project's resource requirements.**

22. From the information provided, the Advisory Committee notes that, for shatter-resistant film replacement, cable catch system installation and stone retrofit, as well as slab retrofit, the 20 per cent provision for design contingency has been applied to the construction cost inclusive of a 30 per cent overhead provision. Similarly, the Committee notes that the 15 per cent provision for construction contingency has been applied to a compounded amount that, in addition to a 30 per cent overhead provision, includes a 20 per cent provision for design contingency. **The Committee is of the view that calculating the contingency provision based on compounded cost estimates unduly increases the resource requirements for the project's construction activities. The Committee therefore questions the method used to calculate the contingency provisions.**

23. **The Advisory Committee again recalls the view expressed by the Board of Auditors that a contingency is a specific budgetary provision that is allocated so that a project can quickly address the cost impact of project risks, should they arise, without needing to delay the project and negotiate increased funding. The Committee also recalls the Board's view that contingency funding should not be used as a device to absorb general increases in project costs and that it should be clearly reported how and when such provisions are used (A/68/585, para. 77). Furthermore, the Committee recalls the recommendation of the Board that the Administration develop a risk-based approach to determining, allocating and reporting contingency funds based on best practice in modern project management (A/68/5 (Vol. V), para. 39). Therefore, in the absence of such a systematic risk-based determination of the level of contingency funds for the project, and given the project's comparatively short duration, the Committee recommends that the design and construction contingency provisions for each construction activity of the project, and the contingency provision for the design fees, be set at 10 per cent of estimated costs without compounding.**

Other matters

24. Upon enquiry, the Advisory Committee was informed that, by the authority granted to him under paragraph 1 (c) of General Assembly resolution 66/249 relating to unforeseen and extraordinary expenses, the Secretary-General was authorized to enter into commitments of up to a maximum of $226,800 for phase 1 of the project (initial blast assessment). It was explained that, at the time of the preparation of the second performance report on the programme budget for the 2012-2013 biennium, it was anticipated that the provision of $226,800 would cover a blast assessment and the conceptual design work ($100,500), a detailed design ($88,500) and contingencies and allowances ($37,800). The Committee was informed, however, that it was later determined that the contingency provision would not be required and that the planned detailed design work could not be undertaken before the end of the biennium. The Committee was also informed that the actual expenditure for the 2012-2013 biennium for the blast assessment and the conceptual design work amounted to $100,500.

25. The Advisory Committee was further informed, upon enquiry, that resource requirements of $66,500 for the basement upgrade and $374,000 for maintenance, which had been authorized under section 33 of the programme budget for the biennium 2014-2015, were unrelated to the structural remediation work proposed by the Secretary-General as a result of the findings of the blast assessment carried out in 2013. The Committee was informed that the amount of $66,500 for basement upgrades was to improve working conditions for staff — in terms of better lighting, partitioning and additional work stations — who, for safety reasons, were required to relocate to the basement after 5 p.m., when the streets adjacent to the building were opened to traffic. The Committee was informed that the requirement of $374,000 provided for technical maintenance and support for the existing perimeter access control technology installations.

26. **The Advisory Committee expects to receive detailed information on the implementation of this project in the context of the relevant performance reports.**

V. Recommendation

27. The actions to be taken by the General Assembly are contained in paragraph 34 of the Secretary-General's report. **Taking into account its comments and recommendations expressed in the preceding paragraphs, the Advisory Committee recommends that the General Assembly:**

(a) **Approve the proposals of the Secretary-General subject to its comments and recommendations expressed in paragraphs 9, 13, 16 and 21-23 above;**

(b) **Approve the establishment of one temporary position at the P-4 level under section 22, Economic and Social Commission for Western Asia, of the programme budget for the biennium 2014-2015;**

(c) **Appropriate an additional non-recurrent amount of $5,722,400 under the programme budget for the biennium 2014-2015 comprising increases under section 22 ($281,800) and section 33, Construction, alteration, improvement and major maintenance ($5,440,600).**

Annex I

Resource requirements for construction, alteration and improvement

Film replacement

Description	*Quantity*	*Unit price (dollars)*	*Amount (dollars)*
Remove existing daylight film; clean and prepare glazing	4 250 m^2	40.00	170 000
New daylight film (3M Safety and Security Window Film Ultra 600 or similar)	4 250 m^2	120.00	510 000
Miscellaneous removal, protection and temporary work	4 250 m^2	5.00	21 250
Subtotal			**701 250**
General conditions, profit and overhead	30 per cent		210 375
Subtotal			**911 625**
Design contingency	20 per cent		182 325
Subtotal			**1 093 950**
Construction contingency	15 per cent		164 093
Total cost of film replacement			**1 258 043**

Cable catch system installation and stone retrofit

Description	*Quantity*	*Unit price (dollars)*	*Amount (dollars)*
Glazed facade			
Cable catch system (Arpal Defender product or similar)	4 250 m^2	370.00	1 572 500
Miscellaneous removal, protection and temporary work	4 250 m^2	25.00	106 250
Stone facade			
Remove wall board insulation and studs	1 280 m^2	210.00	268 800
High-strength geotextile fabric	1 280 m^2	105.00	134 400
New gypsum wall board insulation and studs	1 280 m^2	231.00	295 680
Mechanical, electrical and plumbing modifications and temporary work	1 280 m^2	52.50	67 200
Temporary partitions, dustproofing and protection	1 280 m^2	100.00	128 000
Remove sunshades and trim; reinstall upon completion	448 units	180.00	80 640
Subtotal			**2 653 470**
General conditions, profit and overhead	30 per cent		796 041
Subtotal			**3 449 511**

Description	*Quantity*	*Unit price (dollars)*	*Amount (dollars)*
Design contingency	20 per cent		689 902
Subtotal			**4 139 413**
Construction contingency	15 per cent		620 912
Total cost of cable catch system installation and stone retrofit			**4 760 325**

Slab retrofit

Description	*Quantity*	*Unit price (dollars)*	*Amount (dollars)*
Remove and replace modular partition	200 m^2	125	25 000
Remove floor finish and topping slab	200 m^2	275	55 000
New concrete topping slab; bonding to existing topping slab	200 m^2	250	50 000
Fibreglass reinforced polymer strips	200 m^2	325	65 000
Latex self-levelling compound	200 m^2	100	20 000
Carpet floor finish (assume 4 m^2 for 1 m^2 of retrofit)	200 m^2	220	44 000
Miscellaneous electrical and mechanical	200 m^2	100	20 000
Temporary partitions, dustproofing and protection	200 m^2	100	20 000
Subtotal			**299 000**
General conditions, profit and overhead	30 per cent		89 700
Subtotal			**388 700**
Design contingency	20 per cent		77 740
Subtotal			**466 440**
Construction contingency	15 per cent		69 966
Total cost of slab retrofit			**536 406**

Annex II

Resource requirements for design fees

Design phase (8 weeks)

Level	*Billing rate (dollars/hour)*	*Hours*	*Amount (dollars)*
Principal	250	60	15 000
Level 2 engineer	200	105	21 000
Level 3 engineer	150	210	31 500
Computer-aided design and drafting specialist	125	320	40 000
Subtotal			**107 500**
20 per cent contingency			21 500
Total (design phase)			**129 000**

Procurement phase (technical support)

Level	*Billing rate (dollars/hour)*	*Hours*	*Amount (dollars)*
Principal	250	20	5 000
Level 2 engineer	200	80	16 000
Total (procurement phase)			**21 000**

Construction administration phase (36 weeks)

Level	*Billing rate (dollars/hour)*	*Hours*	*Amount (dollars)*
Principal	250	36	9 000
Level 2 engineer	200	144	28 800
Level 3 engineer	150	576	86 400
Computer-aided design and drafting specialist	125	360	45 000
Subtotal			**169 200**
20 per cent contingency			33 840
Total (construction administration phase)			**203 040**
Total design fees			**353 040**